

**Clarifications and Additional Information as requested at the
June 13, 2006 Prehearing Workshop**

On June 13, 2006, the Department held a prehearing workshop for the July 6 hearing on Milk Movement Incentives. The Department received requests for clarification and additional information regarding some of the documents presented. This is the Department's response to those requests.

The enclosed *Figure 6a* focuses on part of the information given in *Figure 6* of the **"Background Material Specific to Milk Movement Incentives"** as presented at the workshop. *Figure 6* presented all milk moving ranch to plant from Northern California to Southern California; *Figure 6a* presents just the milk coming from Fresno County and counties north of Fresno. As the volume of milk in *Figure 6a* is less than one percent of the volume in *Figure 6*, the scales have been changed.

The enclosed *Figures 201 to 206* and *Tables 201 to 206* repeat the analysis presented in *Figures 102 to 106* and *Tables 102 to 106* of the **"Analysis of Proposals for Transportation Credits"** as presented at the workshop.

The original analysis in *Figures 102 to 106* and *Tables 102 to 106* assumed:

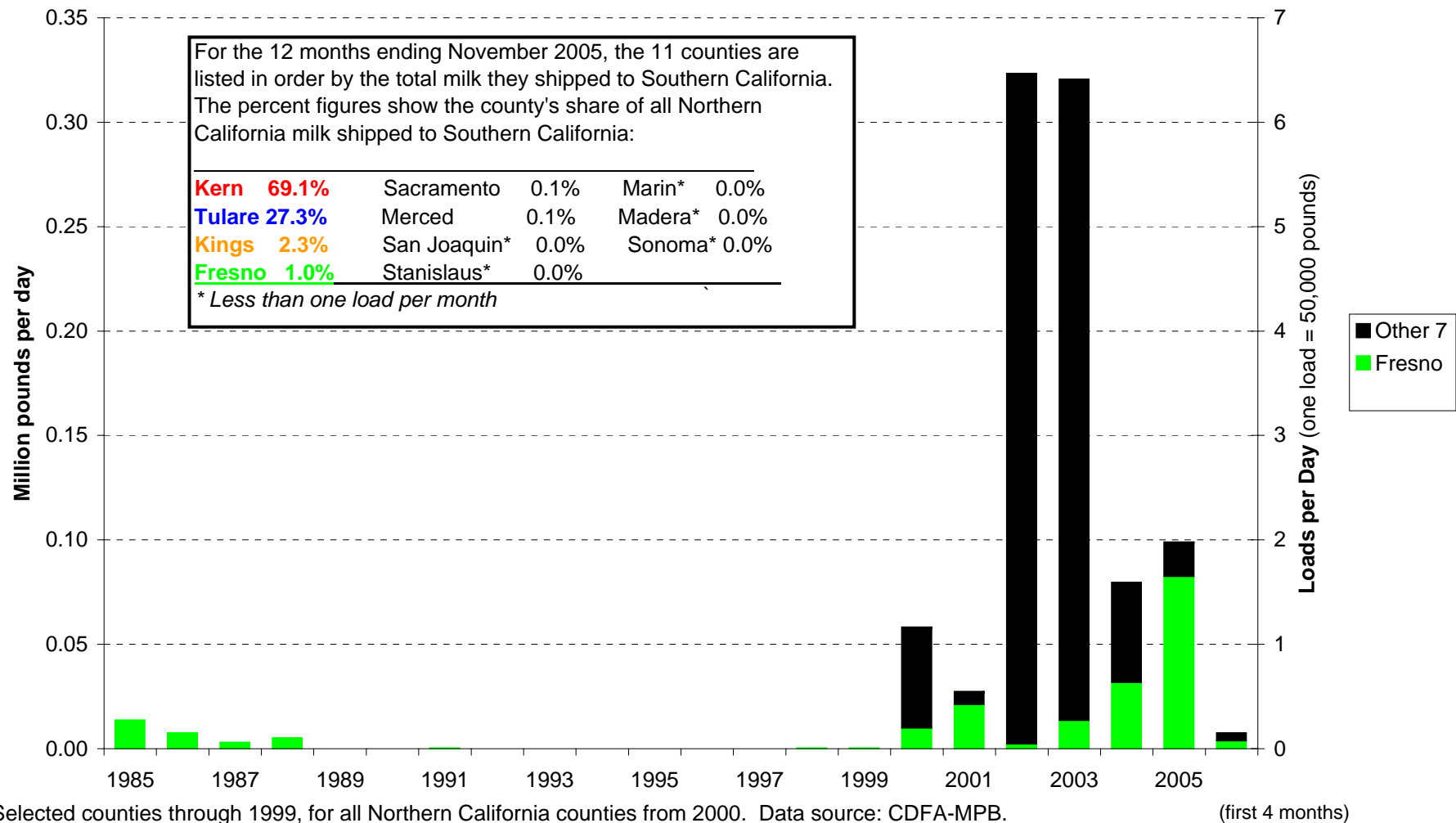
- that all milk moving ranch to plant to Southern California was from **Tulare** County, and
- an average **90 percent** Class 1 utilization for Southern California fluid plants.

Based on an industry request, the analysis in *Figures 202 to 206* and *Tables 202 to 206* assumes:

- that all milk moving ranch to plant to Southern California is from **Kern** County, and
- an average **100 percent** Class 1 utilization for Southern California fluid plants.

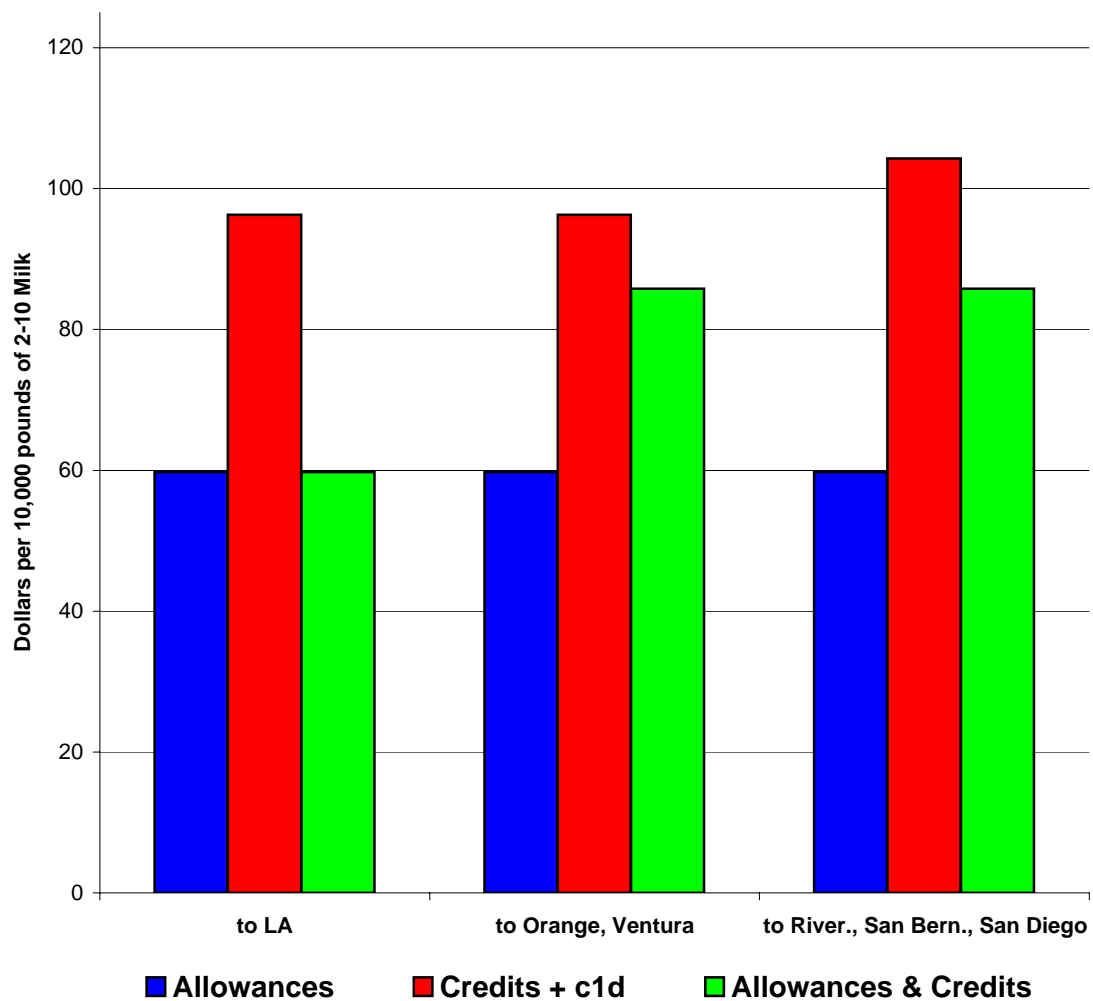
"This Figure is a modification of *Figure 6*. Kern, Tulare and Kings counties have been removed. The scale has been changed to better bring out the volume of milk coming from Fresno County and counties north of Fresno"

Figure 6a - ANNUAL MILK MOVEMENT FROM NORTHERN CALIFORNIA RANCHES TO SOUTHERN CALIFORNIA PLANTS FOR ALL USES
Annual, 1985 to 2006



**Figure 201 - Estimated Impact Analysis: CURRENT RATES
Transportation Allowances and Credits**

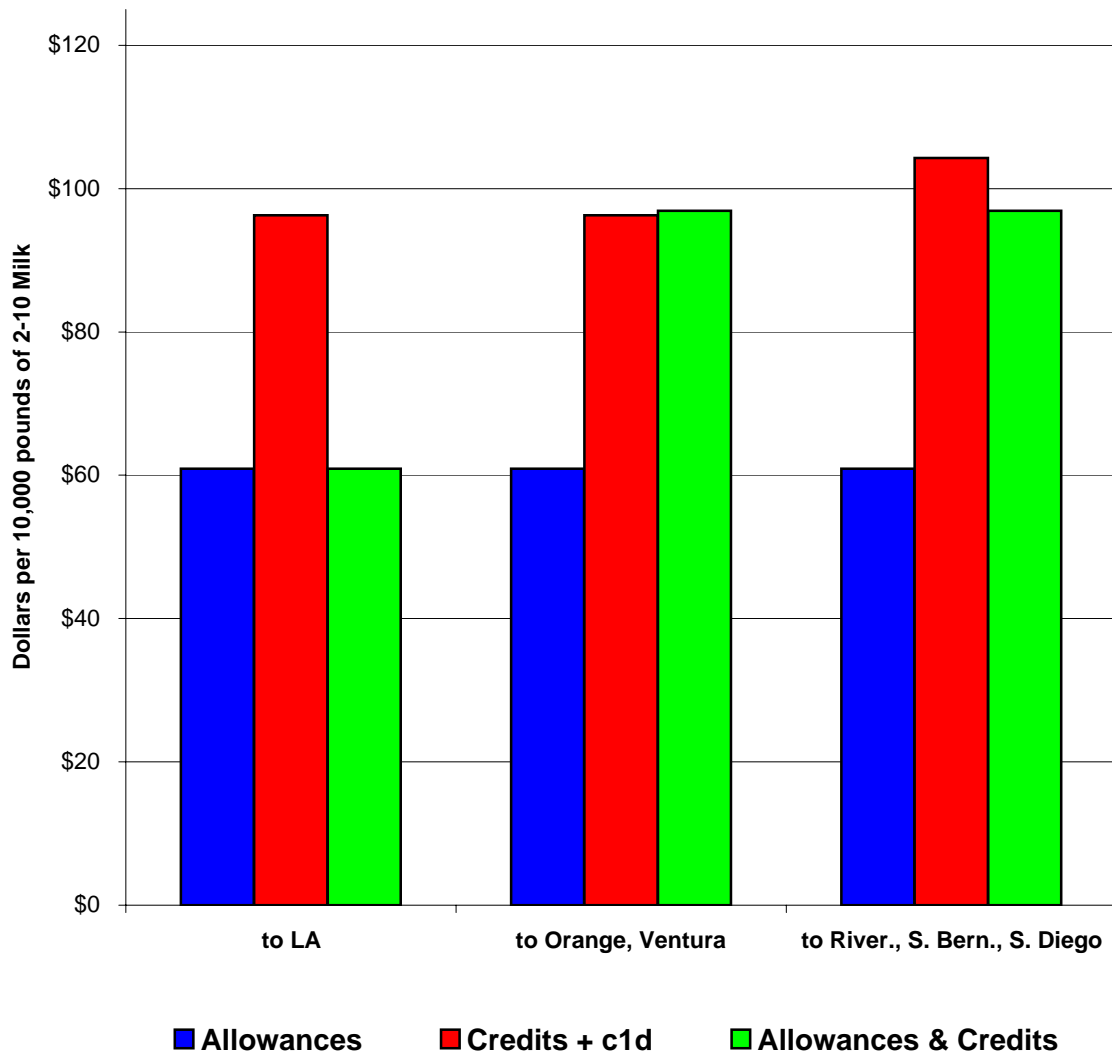
Three alternatives for supplying 2-10 milk from Kern and Tulare Counties to So. Calif. counties, assuming 11,494 pounds of ranch milk are needed to make 10,000 pounds of 2-10 milk for plants with 100% Class 1 utilization



c1d = Class 1 differential
between Northern and Southern
California Class 1 prices

Figure 202 - Estimated Impact Analysis: CDI PROPOSAL
Transportation Allowances and Credits

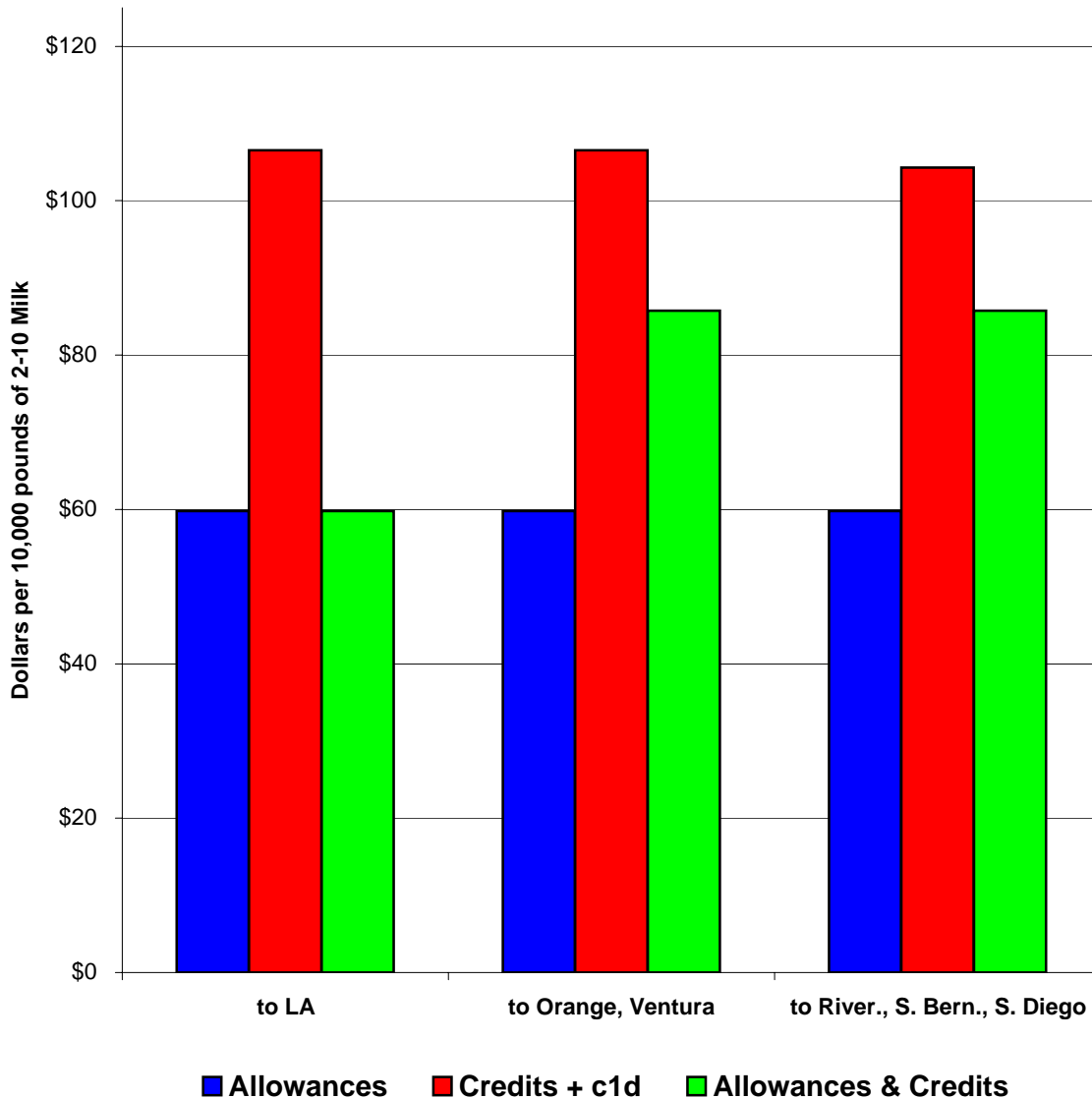
Three alternatives for supplying 2-10 milk from Kern and Tulare Counties to So. Calif. counties, assuming 11,494 pounds of ranch milk are needed to make 10,000 pounds of 2-10 milk for plants **with 100% Class 1 utilization**



c1d = Class 1 differential between
 Northern and Southern California
 Class 1 prices

Figure 203 - Estimated Impact Analysis: DRIFTWOOD PROPOSAL
Transportation Allowances and Credits

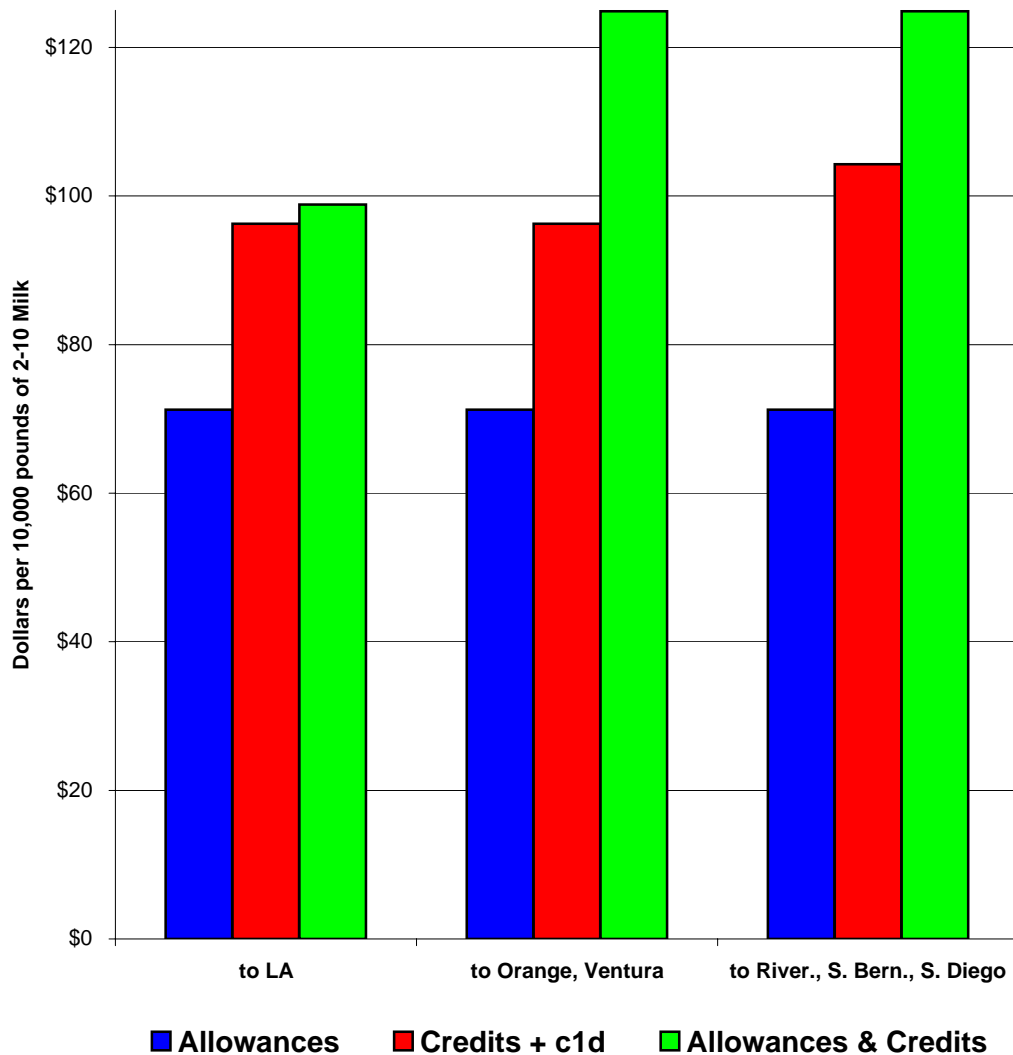
Three alternatives for supplying 2-10 milk **from Kern and Tulare Counties** to So. Calif. counties, assuming 11,494 pounds of ranch milk are needed to make 10,000 pounds of 2-10 milk for plants **with 100% Class 1 utilization**



c1d = Class 1 differential between
 Northern and Southern California
 Class 1 prices

Figure 204 - Estimated Impact Analysis: SECURITY PROPOSAL
Transportation Allowances and Credits

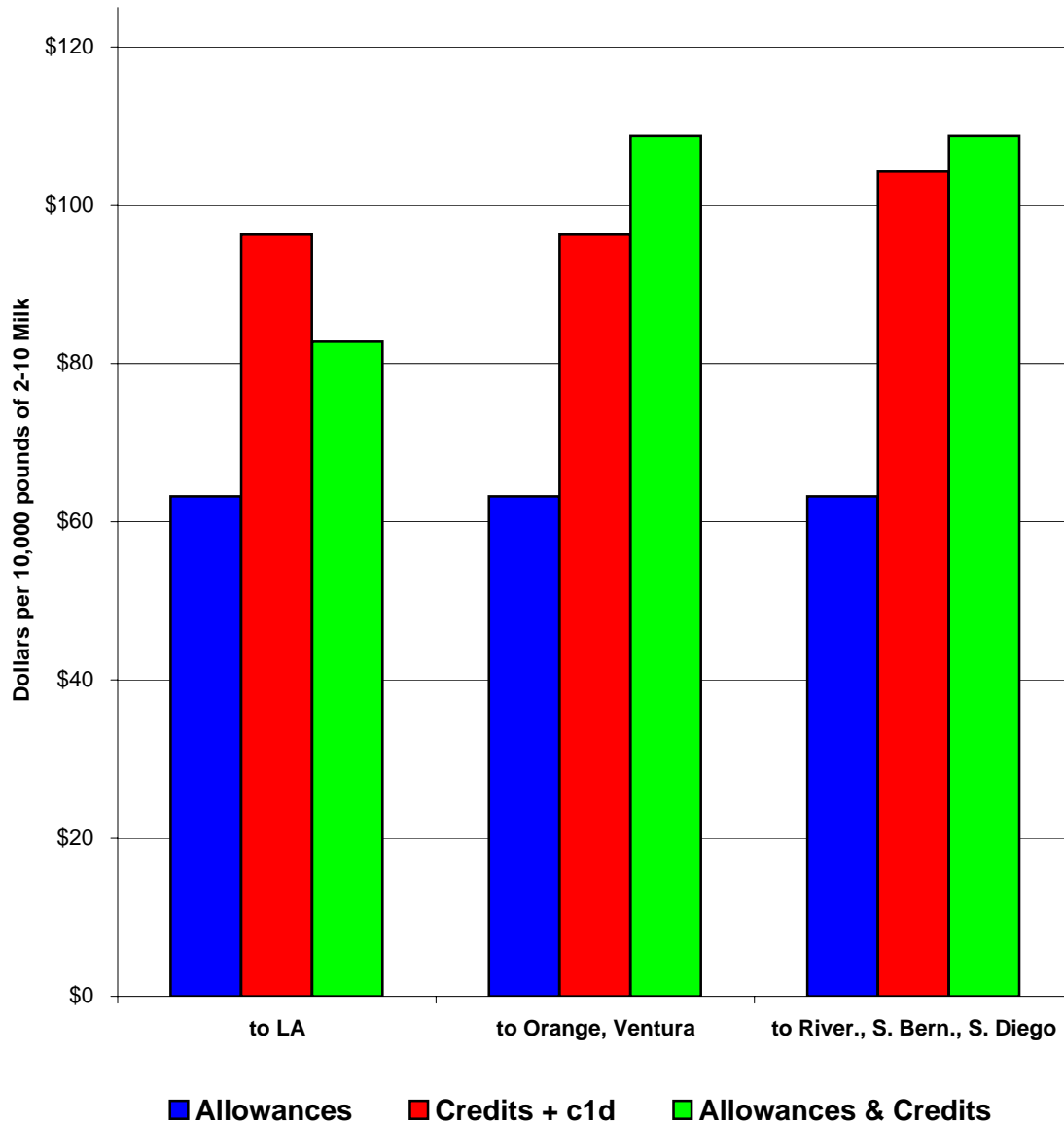
Three alternatives for supplying 2-10 milk from **Kern and Tulare Counties** to So. Calif. counties, assuming 11,494 pounds of ranch milk are needed to make 10,000 pounds of 2-10 milk for plants with 100% Class 1 utilization



c1d = Class 1 differential between
 Northern and Southern California
 Class 1 prices

Figure 205 - Estimated Impact Analysis: DFA PROPOSAL
Transportation Allowances and Credits

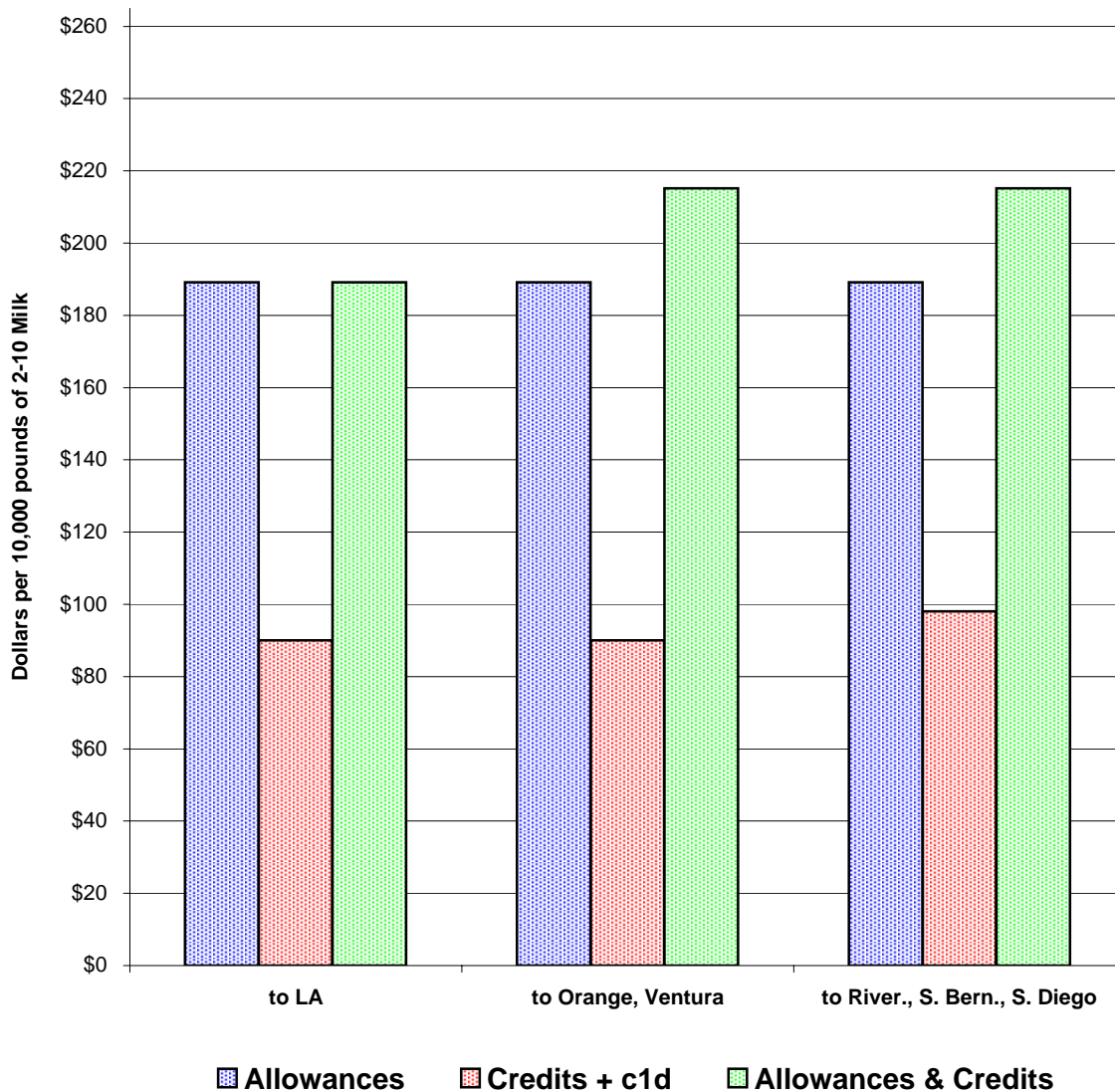
Three alternatives for supplying 2-10 milk **from Kern and Tulare Counties** to So. Calif. counties, assuming 11,494 pounds of ranch milk are needed to make 10,000 pounds of 2-10 milk for plants **with 100% Class 1 utilization**



c1d = Class 1 differential between
 Northern and Southern California
 Class 1 prices

Figure 206 - ESTIMATED IMPACT ANALYSIS: Current Rates
CONDENSED SKIM: TRANSPORTATION ALLOWANCES AND CREDITS

Three alternatives for supplying **condensed skim** from **Kern** and Tulare county to So. Calif. Counties, **assuming 36,377 pounds** of ranch milk are needed to make 10,000 pounds of condensed skim for plants with **100%** Class 1 utilization



c1d = Class 1 differential between
 Northern and Southern California
 Class 1 prices

Table 201 - Estimated Impact Analysis: CURRENT RATES
Allowance and Credit Rates Compared

Impacts of delivering 10,000 pounds of 2-10 milk to Southern California plants with **100%** Class 1 utilization when the ranch milk originates in **Kern** county.
The impacts are for transportation allowances, transportation credits, or a combination
The data in this table is displayed on Figure 201.

	to LA	to Orange Ventura	to River. S. Bern. S. Diego
Monthly Average Jan 2005 - April 2006			
ALLOWANCES: RANCH TO PLANT			
Allowance Rate (\$/cwt)	\$0.52	\$0.52	\$0.52
Allowance Impact (\$/10,000 lb)	\$60	\$60	\$60
CREDITS: PLANT TO PLANT			
Credit Rate - Tulare (\$/cwt)	\$0.69	\$0.69	\$0.77
Class 1 Differential (\$/cwt)	\$0.27	\$0.27	\$0.27
Credit + Class 1 Differential (\$/cwt)	\$0.96	\$0.96	\$1.04
Credit Impact (\$/10,000 lb)	\$96	\$96	\$104
ALLOWANCES: RANCH TO PLANT			
Allowance Rate (\$/cwt)	\$0.52	\$0.52	\$0.52
Allowance Impact (\$/10,000 lb)	\$60	\$60	\$60
CREDITS: PLANT TO PLANT			
Credit Rate - Los Angeles (\$/cwt)	\$0.00	\$0.26	\$0.26
Class 1 Differential (\$/cwt)	\$0.00	\$0.00	\$0.00
Credit + Class 1 Differential (\$/cwt)	\$0.00	\$0.26	\$0.26
Credit Impact (\$/10,000 lb)	\$0	\$26	\$26
Total Allowances plus Credit Impact (\$/10,000 lb)	\$60	\$86	\$86

indicates rates subject to change as a result of this hearing

Source: Stabilization Plans, Pooling Plan and industry proposals.

Table 202 - Estimated Impact Analysis: CDI PROPOSAL

Allowance and Credit Rates Compared

Impacts of delivering 10,000 pounds of 2-10 milk to Southern California plants with **100%** Class 1 utilization when the ranch milk originates in **Kern** county.

The impacts are for transportation allowances, transportation credits, or a combination

The data in this table is displayed on Figure 202.

	to LA	to Orange Ventura	to River. S. Bern. S. Diego
Monthly Average Jan 2005 - April 2006			
ALLOWANCES: RANCH TO PLANT			
Allowance Rate (\$/cwt)	\$0.53	\$0.53	\$0.53
Allowance Impact (\$/10,000 lb)	\$61	\$61	\$61
CREDITS: PLANT TO PLANT			
Credit Rate - Tulare (\$/cwt)	\$0.69	\$0.69	\$0.77
Class 1 Differential (\$/cwt)	\$0.27	\$0.27	\$0.27
Credit + Class 1 Differential (\$/cwt)	\$0.96	\$0.96	\$1.04
Credit Impact (\$/10,000 lb)	\$96	\$96	\$104
ALLOWANCES: RANCH TO PLANT			
Allowance Rate (\$/cwt)	\$0.53	\$0.53	\$0.53
Allowance Impact (\$/10,000 lb)	\$61	\$61	\$61
CREDITS: PLANT TO PLANT			
Credit Rate - Los Angeles (\$/cwt)	\$0.00	\$0.36	\$0.36
Class 1 Differential (\$/cwt)	\$0.00	\$0.00	\$0.00
Credit + Class 1 Differential (\$/cwt)	\$0.00	\$0.36	\$0.36
Credit Impact (\$/10,000 lb)	\$0	\$36	\$36
Total Allowances plus Credit Impact (\$/10,000 lb)	\$61	\$97	\$97

indicates changes from current rates

Source: Stabilization Plans, Pooling Plan and industry proposals.

Table 203 - Estimated Impact Analysis: DRIFTWOOD PROPOSAL

Allowance and Credit Rates Compared

Impacts of delivering 10,000 pounds of 2-10 milk to Southern California plants with **100%** Class 1 utilization when the ranch milk originates in **Kern** county.

The impacts are for transportation allowances, transportation credits, or a combination

The data in this table is displayed on Figure 203.

	to LA	to Orange Ventura	to River. S. Bern. S. Diego
Monthly Average Jan 2005 - April 2006			
ALLOWANCES: RANCH TO PLANT			
Allowance Rate (\$/cwt)	\$0.52	\$0.52	\$0.52
Allowance Impact (\$/10,000 lb)	\$60	\$60	\$60
CREDITS: PLANT TO PLANT			
Credit Rate - Tulare (\$/cwt)	\$0.7925	\$0.7925	\$0.77
Class 1 Differential (\$/cwt)	\$0.27	\$0.27	\$0.27
Credit + Class 1 Differential (\$/cwt)	\$1.07	\$1.07	\$1.04
Credit Impact (\$/10,000 lb)	\$107	\$107	\$104
ALLOWANCES: RANCH TO PLANT			
Allowance Rate (\$/cwt)	\$0.52	\$0.52	\$0.52
Allowance Impact (\$/10,000 lb)	\$60	\$60	\$60
CREDITS: PLANT TO PLANT			
Credit Rate - Los Angeles (\$/cwt)	\$0.00	\$0.26	\$0.26
Class 1 Differential (\$/cwt)	\$0.00	\$0.00	\$0.00
Credit + Class 1 Differential (\$/cwt)	\$0.00	\$0.26	\$0.26
Credit Impact (\$/10,000 lb)	\$0	\$26	\$26
Total Allowances plus Credit Impact (\$/10,000 lb)	\$60	\$86	\$86

indicates changes from current rates

Source: Stabilization Plans, Pooling Plan and industry proposals.

Table 204 - Estimated Impact Analysis: SECURITY PROPOSAL
Allowance and Credit Rates Compared

Impacts of delivering 10,000 pounds of 2-10 milk to Southern California plants with **100%** Class 1 utilization when the ranch milk originates in **Kern** county.
 The impacts are for transportation allowances, transportation credits, or a combination
 The data in this table is displayed on Figure 204.

	to LA	to Orange Ventura	to River. S. Bern. S. Diego
Monthly Average Jan 2005 - April 2006			
ALLOWANCES: RANCH TO PLANT			
Allowance Rate (\$/cwt)	\$0.62	\$0.62	\$0.62
Allowance Impact (\$/10,000 lb)	\$71	\$71	\$71
CREDITS: PLANT TO PLANT			
Credit Rate - Tulare (\$/cwt)	\$0.69	\$0.69	\$0.77
Class 1 Differential (\$/cwt)	\$0.27	\$0.27	\$0.27
Credit + Class 1 Differential (\$/cwt)	\$0.96	\$0.96	\$1.04
Credit Impact (\$/10,000 lb)	\$96	\$96	\$104
ALLOWANCES: RANCH TO PLANT			
Allowance Rate (\$/cwt)	\$0.86	\$0.86	\$0.86
Allowance Impact (\$/10,000 lb)	\$99	\$99	\$99
CREDITS: PLANT TO PLANT			
Credit Rate - Los Angeles (\$/cwt)	\$0.00	\$0.26	\$0.26
Class 1 Differential (\$/cwt)	\$0.00	\$0.00	\$0.00
Credit + Class 1 Differential (\$/cwt)	\$0.00	\$0.26	\$0.26
Credit Impact (\$/10,000 lb)	\$0	\$26	\$26
Total Allowances plus Credit Impact (\$/10,000 lb)	\$99	\$125	\$125

indicates changes from current rates

Source: Stabilization Plans, Pooling Plan and industry proposals.

Table 205 - Estimated Impact Analysis: DFA PROPOSAL

Allowance and Credit Rates Compared

Impacts of delivering 10,000 pounds of 2-10 milk to Southern California plants with **100%** Class 1 utilization when the ranch milk originates in **Kern** county.

The impacts are for transportation allowances, transportation credits, or a combination

The data in this table is displayed on Figure 205.

	to LA	to Orange Ventura	to River. S. Bern. S. Diego
Monthly Average Jan 2005 - April 2006			
ALLOWANCES: RANCH TO PLANT			
Allowance Rate (\$/cwt)	\$0.55	\$0.55	\$0.55
Allowance Impact (\$/10,000 lb)	\$63	\$63	\$63
CREDITS: PLANT TO PLANT			
Credit Rate - Tulare (\$/cwt)	\$0.69	\$0.69	\$0.77
Class 1 Differential (\$/cwt)	\$0.27	\$0.27	\$0.27
Credit + Class 1 Differential (\$/cwt)	\$0.96	\$0.96	\$1.04
Credit Impact (\$/10,000 lb)	\$96	\$96	\$104
ALLOWANCES: RANCH TO PLANT			
Allowance Rate (\$/cwt)	\$0.72	\$0.72	\$0.72
Allowance Impact (\$/10,000 lb)	\$83	\$83	\$83
CREDITS: PLANT TO PLANT			
Credit Rate - Los Angeles (\$/cwt)	\$0.00	\$0.26	\$0.26
Class 1 Differential (\$/cwt)	\$0.00	\$0.00	\$0.00
Credit + Class 1 Differential (\$/cwt)	\$0.00	\$0.26	\$0.26
Credit Impact (\$/10,000 lb)	\$0	\$26	\$26
Total Allowances plus Credit Impact (\$/10,000 lb)	\$83	\$109	\$109

indicates changes from current rates

Source: Stabilization Plans, Pooling Plan and industry proposals.

Table 206 - Estimated Impact Analysis: CURRENT RATES
CONDENSED SKIM: Allowance and Credit Rates Compared

Impacts of delivering 10,000 pounds of 2-10 milk to Southern California plants with **100%** Class 1 utilization when the ranch milk originates in **Kern** county.
The impacts are for transportation allowances, transportation credits, or a combination
The data in this table is displayed on Figure 206.

	to LA	to Orange Ventura	to River. S. Bern. S. Diego
Monthly Average Jan 2005 - April 2006			
ALLOWANCES: RANCH TO PLANT			
Allowance Rate (\$/cwt)	\$0.52	\$0.52	\$0.52
Allowance Impact (\$/10,000 lb)	\$189	\$189	\$189
CREDITS: PLANT TO PLANT			
Credit Rate - Tulare (\$/cwt)	\$0.69	\$0.69	\$0.77
Class 1 Differential (\$/cwt)	\$0.21	\$0.21	\$0.21
Credit + Class 1 Differential (\$/cwt)	\$0.90	\$0.90	\$0.98
Credit Impact (\$/10,000 lb)	\$90	\$90	\$98
ALLOWANCES: RANCH TO PLANT			
Allowance Rate (\$/cwt)	\$0.52	\$0.52	\$0.52
Allowance Impact (\$/10,000 lb)	\$189	\$189	\$189
CREDITS: PLANT TO PLANT			
Credit Rate - Los Angeles (\$/cwt)	\$0.00	\$0.26	\$0.26
Class 1 Differential (\$/cwt)	\$0.00	\$0.00	\$0.00
Credit + Class 1 Differential (\$/cwt)	\$0.00	\$0.26	\$0.26
Credit Impact (\$/10,000 lb)	\$0	\$26	\$26
Total Allowances plus Credit Impact (\$/10,000 lb)	\$189	\$215	\$215

indicates rates subject to change as a result of this hearing

Source: Stabilization Plans, Pooling Plan and industry proposals.